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**R** *eport*



ACQUISITION OF THE DEFENSE  
JOINT ACCOUNTING SYSTEM

Report No. D-2000-151

June 16, 2000

Office of the Inspector General  
Department of Defense

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### **Acronyms**

ASD(C <sup>3</sup> I)	Assistant Secretary of Defense (Command, Control, Communications, and Intelligence)
CEFMS	Corps of Engineers Financial Management System
DFAS	Defense Finance and Accounting Service
DJAS	Defense Joint Accounting System
IG	Inspector General
IT OIPT Team	Information Technology Overarching Integrated Product
MDA	Milestone Decision Authority
ODPA&E	Office of the Director, Program Analysis and Evaluation
USD(C)	Under Secretary of Defense (Comptroller)



INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
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June 16, 2000

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)  
ASSISTANT SECRETARY OF DEFENSE (COMMAND,  
CONTROL, COMMUNICATIONS, AND  
INTELLIGENCE)  
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING  
SERVICE

SUBJECT: Audit Report on the Acquisition of the Defense Joint Accounting System  
(Report No. D-2000-151)

We are providing this audit report for review and comment. We conducted the audit in response to the House of Representatives Committee on Appropriations Report on the DoD Appropriations Bill, 2000. We considered management comments on a draft of this report when preparing the final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. The Under Secretary of Defense (Comptroller) responded for the Defense Finance and Accounting Service, but did not concur or nonconcur with the recommendations. Therefore, we request comments on Recommendations 2 and 3 by August 16, 2000.

We appreciate the courtesies extended to the audit staff. For additional information on this report, please contact Ms. Kimberley A. Caprio at (703) 604-9139 (DSN 664-9139) (kcaprio@dodig.osd.mil) or Mr. Dennis L. Conway at (703) 604-9158 (DSN 664-9158) (dconway@dodig.osd.mil). See Appendix B for the report distribution. The audit team members are listed inside the back cover.

A handwritten signature in black ink, reading "Robert J. Lieberman".

Robert J. Lieberman  
Assistant Inspector General  
for Auditing

## **Office of the Inspector General, DoD**

**Report No. D-2000-151**

**June 16, 2000**

(Project No. D2000FG-0056) (formerly Project No. 0FG-5103)

### **Acquisition of the Defense Joint Accounting System**

#### **Executive Summary**

**Introduction.** This audit was conducted in response to the House Committee on Appropriations Report on the Defense Appropriations Bill, 2000. The Committee directed the Inspector General, DoD to determine whether the Defense Joint Accounting System (DJAS), a Defense Finance and Accounting Service (DFAS) accounting system, had met DoD information technology standards and the requirements of the Clinger-Cohen Act related to system acquisition.

DFAS estimated that \$140.2 million would be spent on DJAS by the end of FY 2000. In addition, DFAS estimated that the total life-cycle cost of DJAS would be \$700.7 million before the system's planned retirement in FY 2015. DoD plans to have four general fund accounting systems. Under current plans, DJAS would be used by the Army and a variety of Defense agencies.

The House Committee on Appropriations Report severely criticized the joint acquisition Milestone I and II approval for DJAS by the Milestone Decision Authority, the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence). The Committee directed the DoD "to conduct a proper Milestone I review of this system."

**Objectives.** The overall objective of the audit was to determine whether the process for managing the DJAS program meets the DoD standards for acquisition of information technology and the requirements of the Clinger-Cohen Act.

**Results.** Although the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) established numerous conditions and required actions after granting joint Milestone I and II approval for DJAS development, those measures did not fully compensate for the lack of requisite planning before Milestone I and II. Specifically, DFAS did not develop a complete and supportable feasibility study, analysis of alternative systems, economic analysis, acquisition program baseline, or performance measures. DFAS also did not ensure that business processes had been reengineered to meet the DoD standards for Milestone I and II of the acquisition management process and the requirements of the Clinger-Cohen Act.

The DoD had not yet conducted a proper Milestone review for DJAS. The Under Secretary of Defense (Comptroller), the Assistant Secretary of Defense (Command,

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Control, Communications, and Intelligence), and the Information Technology Overarching Integrated Product Team had not ensured that DFAS demonstrated that the DJAS acquisition plan was sound and user requirements would be met. As a result, DoD set a poor precedent for management control of major information technology investments and remained unsure that DJAS program risks had been minimized.

**Summary of Recommendations.** We recommend that the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) not approve DJAS for use by DFAS customers until DFAS has demonstrated that the current acquisition strategy will reduce risks, ensure the required functionality for users, and meet DoD acquisition standards and Clinger-Cohen Act requirements. The Information Technology Overarching Integrated Product Team should also be convened to support the Milestone Decision Authority.

We also recommend that the Under Secretary of Defense (Comptroller) oversee the modification of acquisition management documents to reflect the current acquisition strategy for the DJAS program and to ensure compliance with DoD acquisition guidance and Clinger-Cohen Act requirements. In addition, we recommend that the Director, DFAS, require the DJAS program management office to provide complete, supportable, and updated documentation that reflects the current acquisition strategy and meets DoD acquisition guidance and the Clinger-Cohen Act requirements.

**Management Comments.** The Acting Deputy Chief Information Officer did not agree that oversight of the DJAS acquisition had been ineffective. However, he concurred with the recommendations to withhold approval of Milestone III until DoD acquisition and Clinger-Cohen Act requirements are met, agreed to conduct a meeting of the Information Technology Overarching Integrated Product Team, and the Milestone Decision Authority will direct that an updated analysis of alternatives be prepared.

The Deputy Chief Financial Officer provided a combined response for the Under Secretary of Defense (Comptroller) and the Defense Finance and Accounting Service. The Deputy Chief Financial Officer neither concurred or nonconcurred with the recommendations, but stated that the report identified a number of issues that require deliberative consideration.

A discussion of the management comments is in the Finding section of the report and the complete text is in the Management Comments section.

**Audit Response.** Although we continue to believe that oversight of the DJAS program failed to ensure its compliance with DoD and Clinger-Cohen Act requirements, the proposed actions of the Acting Deputy Chief Information Officer are responsive. However, the Under Secretary of Defense (Comptroller) reply was not responsive. We request that the Under Secretary of Defense (Comptroller) provide comments to this report that detail specific actions that will be taken to ensure the DJAS program complies with DoD and Clinger-Cohen Act requirements. We request those additional comments by August 16, 2000.

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## Introduction

The House Appropriations Committee directed the Inspector General, DoD, to audit the process for acquiring the Defense Joint Accounting System (DJAS). Specifically, the Committee directed us to determine whether DJAS met the DoD standards for acquiring information technology and the requirements of the Clinger-Cohen Act.

## Background

**DFAS Migratory Accounting Strategy.** The 1997 DFAS Chief Financial Officer's 5-Year Plan includes a migratory accounting system strategy to reduce general fund accounting systems to three. The Corps of Engineers Financial Management System (CEFMS)--an Army Corps of Engineers system specifically designed to manage the Corps projects--was one of the three systems. The others were the Standard Accounting and Reporting System and the Standard Accounting and Budgetary Reporting System. The 1999 DFAS Strategic Plan (draft) revised the migratory strategy to reflect the migration to four systems. The fourth system is the Air Force General Fund Accounting System.

DFAS conducted limited tests on CEFMS from April 1995 to March 1996 and verified that it could be modified to satisfy Army customers and that it had the potential for supporting Defense Business Operations Fund customers. Subsequently, the Under Secretary of Defense (Comptroller) and Director, DFAS selected the Army's CEFMS in 1998 to meet the DJAS requirements. DFAS envisioned that DJAS could satisfy accounting requirements for DoD transportation<sup>1</sup>, DoD security assistance, the Army, and the Air Force.

In February 1998, DFAS decided to allow the Air Force to withdraw from DJAS and modified the plan so that DJAS would serve only the Army and DoD agency customers. DFAS reached this decision after the Information Technology, Overarching Integrated-Product Team (IT OIPT) was advised that either the Air Force processes or the DJAS processes would need significant reengineering to allow for the development of a joint accounting system.

**Information Technology Oversight.** The House Appropriations Committee reported in its Report on the DoD Appropriations Bill for 2000 that:

The Committee is disappointed with the Department's current level of oversight of its information technology systems. In the words of the Department of Defense Inspector General (DoD IG), information technology projects "have tended to overrun budgets, slip schedules, evade data standardization and interoperability requirements, and shortchange user needs". The DoD IG rates this as one of the Department's top ten most serious management problems. Likewise,

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<sup>1</sup> The transportation business area includes the U.S. Transportation Command and its component commands, which are the Army Military Traffic Management Command, the Navy Military Sealift Command, and the Air Force Air Mobility Command.

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the General Accounting Office has consistently designated the Department's information technology project management as a high risk area.

Despite these concerns, the senior group responsible for reviewing and approving information technology investments (called the IT OIPT [Information Technology Overarching Integrated Product Team]) has not even met in over a year. Those systems that are reviewed are often approved despite lacking key documentation. For example, at least seven programs totaling \$780,000,000 are moving forward despite lacking an Acquisition Program Baseline, a critical tool for program management. Others have gone forward without being able to demonstrate the costs and benefits of the investment. In hearings, when the Committee has requested lists of systems terminated or significantly restructured as part of the Department's oversight process, the answers have consistently indicated that this rarely if ever happens. In fact, an investigation of the systems terminated by the Office of the Secretary of Defense reveals that the majority of them were canceled because their sponsoring organization was abolished, not because of any problems with the system.

**Defense Joint Accounting System.** The House Appropriations Committee report stated that DJAS was as an example of a program that lacked sufficient oversight. Specifically, the Committee stated:

A recent example of these problems is the Defense Joint Accounting System (DJAS), currently under development. Despite the importance of developing joint systems, the Department has allowed the Air Force and the Navy to opt out of this program and to develop and modernize their own distinct systems. Thus, this 'joint' system will be fielded only to the Army and a few defense-wide activities. After its initial Milestone 0 approval, the timeline for completing the DJAS software development effort expanded from 16 months to six or more years, the benefits declined from \$322,000,000 to \$204,000,000 and are now characterized as "productivity savings", whereas before they were real cost savings. In November, the DoD IG issued a draft report warning that DJAS had not completed the steps required under the program management process to be prepared for a Milestone I review. In March, the Office of Program Analysis and Evaluation issued similar warnings about the dramatic change in the programs scope, cost, and duration. Despite these serious concerns, the Department not only issued Milestone I approval, but also Milestone II approval at the same time, all without having a meeting of the IT OIPT to review the system. The Committee rejects this approval as inconsistent with the intent of the Information Technology oversight process and the Clinger-Cohen Act. Further, the Committee directs that the DoD IG update and complete their audit of DJAS with particular emphasis on determining if DJAS meets the standards for Milestone I or Milestone II approval and the requirements of the Clinger-Cohen Act. In addition, following the Inspector General's report, the Committee directs the Department to

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conduct a proper Milestone I review of this system and to provide a report to the congressional defense committees consistent with the requirements of general provision Section 8125 of the bill.

**Emphasis on Information Technology Oversight.** The House Appropriations Committee provided strong guidance regarding DoD compliance with the Clinger-Cohen Act. Specifically, the Committee stated:

The basic policies and procedures necessary for sound oversight and program management are clearly outlined in the Clinger-Cohen Act of 1996. The Committee believes that a strong Chief Information Officer, with visibility over the programs and a commitment to implementing the Clinger-Cohen Act, is the best approach to correcting the Department's problem. The Committee therefore supports the Department's request for a \$14,710,000 increase in the ASD(C3I)/CIO operation and maintenance budget specifically for improving information technology oversight and for compliance with the Clinger-Cohen Act and directs that no reductions be taken against this account.

Furthermore, the Committee has included a new general provision (Section 8125) that prohibits any information technology system from receiving Milestone I, Milestone II, or Milestone III approval until the Chief Information Officer certifies in writing to the congressional defense committees that the system is in compliance with the provisions of the Clinger-Cohen Act. The Committee provides this funding and this additional authority in the expectation that they will be used to instill discipline into the process. The Committee is prepared to make an activity's or a program's compliance with the Clinger-Cohen Act a condition of future funding.

**Status of DJAS Program.** DFAS received Milestone 0 approval for the DJAS program in December 1997, and Milestone I and II approval in April 1999. Milestone III for DJAS has not been scheduled. To obtain Milestone III approval to implement DJAS, DFAS must demonstrate to the Milestone Decision Authority (MDA)<sup>2</sup> that it has in place, a stable, producible, supportable, and cost-effective design that can perform the needed operations. The DoD also needs to respond to the House Appropriations Committee direction that the Milestone I review be redone.

**Estimated Costs of DJAS.** DFAS estimated that the total costs of DJAS would be \$140.2 million by the end of FY 2000. DFAS further projected that total life-cycle costs would be \$700.7 million through the retirement of DJAS in FY 2015.

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<sup>2</sup> The MDA for major information technology systems is the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) (ASD C<sup>3</sup>I), who is also the Chief Information Officer for DoD.

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## **Objectives**

The overall objective of the audit was to determine whether the milestone approval process for DJAS met the standards for acquisition of information technology and the requirements of the Clinger-Cohen Act.

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# Management of the Acquisition Process for the Defense Joint Accounting System

DFAS was developing DJAS at an estimated life-cycle cost of about \$700 million without demonstrating that the program was the most cost-effective alternative for providing a portion of DoD general fund accounting. The DJAS program did not comply with DoD acquisition or Clinger-Cohen Act requirements because:

- DFAS believed that less complete planning was acceptable, and therefore had not developed a complete or fully supportable feasibility study, analysis of alternatives, economic analysis, acquisition program baseline, or performance measures, and had not reengineered business processes; and
- the Under Secretary of Defense (Comptroller) (USD[C]), the ASD(C<sup>3</sup>I), and the Information Technology Overarching Integrated Product Team had not provided effective oversight to ensure that DFAS conducted the thorough planning required by DoD guidance and public law.

As a result, DoD set a poor precedent for management control of major information technology investments and remained unsure that DJAS program risks had been minimized.

## The Acquisition Process for DJAS

**Acquisition of DJAS Program.** DFAS has developed DJAS without fully complying with DoD information technology standards<sup>3</sup> and the requirements of the Clinger-Cohen Act. DoD 7000.14-R, the “DoD Financial Management Regulation,” volume 1, “General Financial Management Information, Systems, and Requirements,” May 1993 (with changes through June 1999), requires DFAS to modify its accounting systems to comply with DoD acquisition guidance and public law. However, DFAS could not justify the need for the DJAS program at Milestones I and II because it had deviated from DoD acquisition guidance and the Clinger-Cohen Act. Specifically, DFAS had deviated from requirements for:

- studying the feasibility of potential alternative systems,
- analyzing potential alternatives for selecting a DoD-wide accounting system,
- developing a complete and supportable economic analysis,

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<sup>3</sup>DoD information technology standards are found in DoD Directive 5000.1, “Defense Acquisition,” March 15, 1996, and DoD Regulation 5000.2-R, “Mandatory Procedures for MDAPs [Major Defense Acquisition Programs] and MAIS [Major Automated Information System] Acquisition Programs,” March 15, 1996. DoD Regulation 5000.2-R was effective on March 15, 1996, and its fourth update was effective on March 11, 1999.

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- preparing and supporting costs in an acquisition program baseline,
  - reengineering business processes, and
  - developing performance measures.

**Studying the Feasibility of Potential Alternative Systems.** To comply with the acquisition management process in DoD Regulation 5000.2-R, DFAS should have completed studies before Milestone I to assess alternative methods for satisfying its general fund accounting needs. Effective use of these analyses would have given the MDA a valid basis for deciding whether a program should proceed beyond Milestone I.

DFAS conducted a feasibility study before Milestone I (from April 1995 to March 1996); however, the study was limited to the Corps of Engineers Financial Management System and did not assess the feasibility of alternative methods for satisfying general fund accounting needs.

**Analyzing Potential Alternatives for Selecting a DoD-Wide Accounting System.** DoD Regulation 5000.2-R states that the MDA should review and approve an analysis of alternative systems at Milestones I and II. A complete and supportable analysis of alternatives gives the MDA a basis for judging whether any of the proposed alternatives are worth the cost. The analysis of alternative systems that DFAS provided for review by the MDA was not complete or fully supported.

The analysis was limited to two DoD systems and two commercial systems. In addition, the analysis did not fully identify the advantages and disadvantages of potential systems, analyze the sensitivity of alternatives to changes, describe the commonality and interoperability of alternative systems, define the benefits of the systems, or address requirements in the systems.

**Developing a Complete and Supportable Economic Analysis.** DFAS had not developed a complete and supportable economic analysis. DoD Instruction 7041.3, "Economic Analysis for Decisionmaking," November 7, 1995, requires the development of an economic analysis that includes the total costs and benefits of each feasible alternative. Effective use of an economic analysis, in conjunction with an analysis of alternatives, gives program managers a valid basis for evaluating the feasibility of alternatives. DFAS published an economic analysis on February 25, 1999; however, it was more limited in scope than the analysis of alternatives. The economic analysis only evaluated the costs and benefits of using the Corps of Engineers Financial Management System (CEFMS) instead of continuing to use the existing DoD general fund accounting systems (including the Standard Accounting, Budgeting, and Reporting System; the Standard Accounting and Reporting System; and the General Accounting and Finance System-Reengineered).

**Preparing and Supporting Costs in an Acquisition Program Baseline.** The acquisition program baseline is a key planning document that the MDA reviews at Milestone I to assist in making the critical decision of whether or not to begin a new program. DoD Regulation 5000.2-R states that the acquisition

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program baseline should include cost, schedule, and performance goals for a system. If these goals are not met, the MDA should require a reevaluation of alternatives.

DFAS had developed an acquisition program baseline for DJAS before the combined Milestone I and II decision point; however, the baseline contained unsupported and incomplete data. For example, the cost goals were extracted from the economic analysis, but no documentation was available to support the costs. In addition, the program baseline did not include the total costs of DJAS and was limited to the costs of a modified version of DJAS planned for one activity, the Ballistic Missile Defense Organization.

**Conducting Reengineering of Business Processes.** The Clinger-Cohen Act requires DoD to analyze its missions and revise its processes (commonly referred to as business process reengineering) before making significant investments in information technology. Because DFAS was redesigning CEFMS into DJAS, the DFAS Deputy Assistant Deputy Director for Systems stated that business process reengineering for CEFMS was performed by the Corps of Engineers. Also, the Deputy Assistant Deputy Director for Systems stated that business process reengineering should occur first and then systems could be planned from a DoD-wide perspective.

Subsequently, the DFAS, Director for Systems Integration stated that:

- DFAS has conducted numerous studies that identified needed process improvements—most recently the DFAS activity-based costing study of accounting, dated April 30, 1999. (Activity-based costing studies identify and quantify processes that do not add value and bottlenecks that could be eliminated with the implementation of better system capabilities.) These studies repeatedly show that unmatched transactions, reconciliation's, system and process rework, and manual intervention are costing the Department millions of dollars each year.
- DFAS developed an activity model for finance and accounting and developed a comprehensive collection of accounting standards, referred to as the "Blue Book" to evaluate and select systems that will eliminate these non-value added processes. However, the Department has not conducted business process reengineering related to service unique financial management practices.
- Any analysis that results in an acquisition strategy needs to incorporate a business process reengineering strategy. That strategy may vary with different feasible alternatives. The current business process reengineering strategy for the Army is based on the assumption that a multiple system strategy provides the Department the best solution and that CEFMS is the best solution for the Army. Until an analysis of alternatives is performed, DFAS cannot determine whether this strategy is appropriate for the Army.

While DFAS contends that it has conducted numerous studies, it agrees that the Department still has not conducted business process reengineering related to service unique financial management practices. In addition, because DoD has

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already selected the systems that will be used for general fund accounting, the utility of retroactive business process reengineering is moot. Instead, DoD should focus on reengineering to support the current acquisition strategy.

**Developing Performance Measures.** Despite the fact that the Milestone 0 approval had been given several months previously, on April 27, 1998, the MDA issued an acquisition decision memorandum requiring DFAS to develop performance measures for the improved capabilities expected to result from DJAS. In response, DFAS developed the performance measures and briefed the MDA on August 11, 1998. The MDA was satisfied with the performance measures, but requested additional performance measures to cover additional efficiencies and capabilities resulting from DJAS. (Efficiency performance measures relate to the quantity of work, cost of work, and the timeliness of deliveries.)

Although the additional performance measures were not developed, the MDA subsequently stated that the original performance measures were sufficient to allow the program to proceed through the Milestones I and II. Although the MDA acquisition decision memorandum required DFAS to adhere to the DoD acquisition management process, the less-than-stringent oversight allowed DFAS to proceed through the milestones without fully meeting the MDA requirements and developing the additional efficiency standards as a baseline for measuring the effectiveness of DJAS.

## **Oversight of the Acquisition Management Process**

Neither the USD(C), the MDA, or the IT OIPT ensured compliance with DoD acquisition and Clinger-Cohen Act requirements. Because the acquisition management process was not followed, there was increased risk of developing a general fund accounting system architecture that may not be the most cost-effective or meet DJAS customer requirements.

**Oversight Strategy for the Acquisition Process.** DoD Regulation 5000.2-R provides the MDA with a general strategy for effectively overseeing the acquisition process. The strategy recognizes that each program is different and does not require each program to follow the entire acquisition process. However, DoD Regulation 5000.2-R states that the MDA should require key documents for review at the decision points.

Also, the USD(C) is required by DoD Directive 5118.3, "Under Secretary of Defense (Comptroller) (USD[C])/Chief Financial Officer (CFO), Department of Defense," January 6, 1997, to oversee the development and implementation of financial strategic plans, reengineering of business practices, and information system architectures and strategies. The Directive also requires the USD(C) to ensure the preparation and validation of economic analyses in support of financial systems.

**Milestone 0.** Prior to Milestone 0, we reviewed the analyses of alternatives prepared from November 30, 1996 through November 14, 1997. Based on our review, we issued memorandums on April 16, 1997, and August 15, 1997, advising the DFAS Project Management Office of our concerns and areas

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needing improvement. However, deficiencies identified in the initial analyses of alternatives continued to exist in the November 1997 revision. On October 29, 1997, the Inspector General (IG), DoD, informed the Acting Chairman of the Major Automated Information System Review Council<sup>4</sup> of concerns about the DJAS program. Those concerns included:

- authorizing DFAS to spend \$5 million to complete the analysis of alternatives and to modify the mission needs statement after proceeding through Milestone 0 (these two documents should have been completed before DJAS received approval to proceed through Milestone 0); and
- permitting DFAS to ignore business process reengineering while authorizing additional funding for DJAS.

The Acting Chairman informed us that the MDA, who approved milestones for information technology programs, was aware of the risks to DJAS, but decided in December 1997 to allow the program to progress through Milestone 0 rather than require the staff members working on the program to be without work. In addition, the USD(C) did not ensure that the analysis of alternatives and the mission needs statement were accurately completed, although the USD(C) directs and controls DFAS and is a member of the IT OIPT. These decisions by the MDA and the USD(C) allowed DFAS to deviate from the DoD acquisition management process and the Clinger-Cohen Act.

**Milestone I and II.** On November 10, 1998, we issued a draft report stating that DJAS was not ready for Milestone I approval. As had been the case prior to the Milestone 0 decision, management did not take action on those concerns. On April 12, 1999, the MDA (who is also the ASD[C<sup>3</sup>I] and the Chief Information Officer) permitted DFAS to proceed through Milestones I and II.

Likewise, the USD(C) did not require DFAS to follow the standards of the DoD acquisition management process or the Clinger-Cohen Act requirements. Further, the team of senior DoD officials that provided acquisition assistance, oversight, and review of the DJAS program for the MDA--the Information Technology Overarching Integrated Product Team (IT OIPT)<sup>5</sup>--did not recommend that the DJAS program be required to follow the standards of the DoD acquisition management process and the Clinger-Cohen Act before attaining Milestone I approval.

We sent a memorandum on June 3, 1999, to the USD(C), ASD(C<sup>3</sup>I) and DFAS, stating that we were not continuing the audit, which had been intended to assist in management's Milestone I review. We stated that until DFAS addressed the program uncertainties noted in previous reviews, DoD is subject to significant risk of developing an accounting system that may not fulfill the complete

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<sup>4</sup> The Major Automated Information System Review Council was redesignated as the IT OIPT on July 28, 1998.

<sup>5</sup> The IT OIPT includes the USD(C); the Joint Staff; the Director, Operational Test and Evaluation; the Director, Program Analysis and Evaluation; the Director, Acquisition Program Integration; the Deputy ASD (C<sup>3</sup>I); and user representatives.

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requirements of a general fund accounting system, result in the most cost-effective system, resolve the current deficiencies in DoD accounting systems, or achieve the benefits of business process reengineering and data standardization.

Our memorandum suggested that we be involved with the IT OIPT during the implementation of DJAS. However, the IT OIPT has not formally met since June 1999, and DFAS continues to develop DJAS without fully addressing the standards for the acquisition of information technology and the Clinger-Cohen Act.

## **Assessment of Risk in the DJAS Program**

DoD Directive 5000.1 requires program managers to continually assess risks to their programs. Program managers must understand and develop approaches to minimizing cost, schedule, and performance risks before a decision is made for a program to proceed through a milestone and into the next phase of the acquisition management process.

Because DFAS was not fully meeting the DoD standards for the acquisition of information technology and the requirements of the Clinger-Cohen Act, there was limited assurance that DJAS would satisfy and standardize DoD-wide general fund accounting requirements and provide the accounting services expected by DFAS customers.

**Cost Risks Associated With the DJAS Program.** As of November 14, 1997, DFAS estimated the DJAS program would incur total costs of \$514.5 million. (The MDA subsequently reviewed and approved the program at Milestone 0 in December 1997.) However, before Milestones I and II, the Air Force and the U.S. Transportation Command were eliminated as potential users of DJAS. As a result, DFAS decreased the total costs of the DJAS program as of July 21, 1998, to \$499.8 million to reflect the reduced costs that resulted from eliminating these two customers. But within 6 months, DFAS had increased its estimate of total life-cycle costs for the DJAS program to \$700.7 million. (This cost increase was reflected in the DJAS economic analysis as of February 25, 1999.) The MDA reviewed and approved the DJAS program to proceed beyond Milestones I and II in April 1999.

These cost increases in DJAS within less than a 2-year period occurred while the return on investment decreased from 28.6 percent in July 1997 to 9.49 percent as of February 1999. In addition, as of March 1999, the estimated benefits had declined from \$322 million to \$204 million. Further, the DJAS program manager recently requested an additional increase in budget authority of \$43.4 million. These cost increases, combined with a decreasing return on investment, represent an increased risk that the system may not be the most cost-effective alternative to perform DoD general fund accounting.

**Schedule Risks of DJAS.** The DJAS program manager recognized the risks to timely implementation and deviated from the requirement for DJAS to perform the functions of a DoD-wide general fund accounting system. For example, DFAS recognized that DJAS could not be deployed to 346 Air Force sites. Based on coordination by DFAS with its customers, suggestions from the

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Working Integrated Product Team, and the support of the IT OIPT, the Air Force was allowed to use the General Accounting and Finance System-Redesign to meet its general fund accounting requirements. After this decision, the MDA approved the DJAS program to proceed through Milestones I and II.

Also, DFAS recognized that DJAS was not ready to be implemented at 454 Army sites, security assistance activities, and U.S. Transportation Command sites. Further, DFAS recognized that solving the system problems of Air Force and Army customers would take almost 10 years and would require the use of standardized data elements and budget and accounting classification codes. In addition, after the MDA approved the DJAS program to proceed beyond Milestone 0, the time estimate for software development expanded from 16 months to 6 years.

As a result of these problems, DoD deviated from its original plans for DJAS and planned to use the system only for customers of the DFAS Indianapolis Center, Indianapolis, Indiana, which included the Defense agencies, the U.S. Army, the Army National Guard, the Military Traffic Management Command, and the Defense Security Cooperation Agency. However, according to DoD Directive 8000.1, "Defense Information Management Program," October 27, 1992, information technology systems should be planned, developed, and implemented from a DoD-wide perspective to ensure the consistency of information and processes. These deviations from the original schedules made DJAS unable to satisfy and standardize DoD-wide general fund accounting requirements.

**Performance Risks of DJAS.** DJAS may not perform all general fund accounting services as effectively or efficiently as expected by its users. DJAS was designed to perform 14 types of services, including accounting for travel payments, management of inventories, and disbursing of funds. However, because DFAS eliminated 7 of the 14 services from DJAS<sup>6</sup>, DFAS customers had to use other DoD systems to satisfy general fund accounting needs.

When DFAS analyzed the alternatives for general fund accounting requirements and selected DJAS to meet those requirements, DFAS did not fully consider that DJAS may not fully satisfy customer needs, and that customers would have to use other DoD systems to obtain acceptable general fund accounting services. Because DFAS customers need to obtain general fund accounting services outside of DJAS, the risk is increased that DJAS may not be the best alternative for performing general fund accounting services for all designated customers.

## **System Compliance With the Clinger-Cohen Act**

**Certification Provided to Congress.** The DoD Appropriations Bill, 2000 requires the Chief Information Officer (who is also the ASD [C<sup>3</sup>I] and the MDA) to certify that major systems comply with the Clinger-Cohen Act before approving the systems at Milestone I, II, and III. The Chief Information Officer

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<sup>6</sup> DFAS deleted the following services from DJAS: [property](#), [disbursing](#), [system administration](#), [work management](#), [travel](#), [vendor pay](#), and [inventory](#).

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must also notify Congress when a major system has been certified. The notification should include the program's funding, the milestone schedule, and confirmation that the program has completed:

- business process reengineering,
- an analysis of alternatives,
- an economic analysis that includes a calculation of the return on investment, and
- performance measures.

**DJAS Compliance With Clinger-Cohen Act.** DJAS did not fully comply with the Clinger-Cohen Act requirements. As discussed in this report, the Chief Information Officer did not provide stringent oversight to ensure that Clinger-Cohen Act requirements, such as the analysis of alternatives, economic analysis, and performance measures, were met accurately or completely. We recognize that the Chief Information Officer had issued four acquisition decision memorandums to DFAS during the redesign and development of DJAS. Those memorandums, issued on December 16, 1997; April 27, 1998; September 29, 1998; and April 12, 1999, required DFAS to accomplish significant tasks required by DoD information technology standards and the Clinger-Cohen Act. As of December 13, 1999, DFAS had addressed 40 of the 45 recommendations in the acquisition decision memorandums; however, the documents prepared by DFAS to address some recommendations did not contain complete analyses, and the data were not always supportable. The Chief Information Officer was directing DFAS to comply with DoD acquisition standards and Clinger-Cohen Act requirements; however, because of the lack of stringent oversight, DFAS had proceeded through the acquisition process without fully meeting those requirements.

In our opinion, DoD information technology standards and requirements of the Clinger-Cohen Act were not met at Milestone 0, I, or II. The Chief Information Officer should not certify DJAS as being compliant with the Clinger-Cohen Act until DFAS performs a complete analysis of alternatives that includes business process reengineering, an acquisition program baseline, and economic analysis, and completes the development of appropriate performance measures.

## Conclusion

In commenting on the draft report, management disagreed with our assessment that oversight of the DJAS program had been ineffective. We continue to believe that DoD has set a poor precedent for management control of major information technology investments and remains unsure that the DJAS program risks have been minimized. The Assistant Inspector General for Auditing, IG, DoD and the Director, Investments and Acquisition, ASD(C<sup>3</sup>I) are working closely to improve the oversight of information technology investments and to establish an active partnership between the two offices to meet the challenge of implementing the Clinger-Cohen Act.

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DFAS had not met the standards because the MDA and the USD(C) did not require DFAS to follow the established DoD acquisition management process. In addition, the IT OIPT was generally ineffective. The MDA, the USD(C), and DFAS need to acknowledge the limitations of DJAS and the inability of the program to meet DoD general fund accounting requirements, DoD information technology standards, and the Clinger-Cohen Act requirements.

The House Appropriations Committee has directed DoD to conduct a proper Milestone I review and report to the congressional defense committees certifying DoD compliance with the Clinger-Cohen Act. However, the cost, schedule, and performance risks of DJAS can be reduced if the MDA updates the documentation for Milestones I and II based on the current environment for general fund accounting. These risks can also be reduced if the USD(C) requires DFAS to comply with DoD acquisition standards and the Clinger-Cohen Act requirements, as stated in the recommendations below.

The MDA should withhold certification of DJAS and the granting of Milestone III approval until DFAS has demonstrated that it is adequately managing risk and that the system meets user requirements and complies with DoD acquisition standards and the Clinger-Cohen Act requirements.

## **Recommendations, Management Comments, and Audit Response**

**1. We recommend that the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence):**

**a. Withhold granting Milestone III approval until the Defense Finance and Accounting Service has demonstrated that the current acquisition strategy will decrease risks, ensure the required functionality for users, and meet DoD acquisition standards and Clinger-Cohen Act requirements.**

**b. Convene the Defense Joint Accounting System Information Technology Overarching Integrated Product Team and request recommendations on whether the Defense Joint Accounting System should proceed through milestones.**

**Management Comments.** The Acting Deputy Chief Information Officer concurred with the recommendations and stated that the approval of Milestone III will be withheld until DoD acquisition standards and Clinger-Cohen Act requirements are met. The Acting Deputy Chief Information Officer also agreed to hold a meeting of the Information Technology Overarching Integrated Product Team to discuss whether the Defense Finance and Accounting Service should receive Milestone III approval to give DJAS to the first customer. Further, the Acting Deputy Chief Information Officer will direct that an updated analysis of alternatives be prepared. These actions are responsive, and no further comments are required.

**2. We recommend that the Under Secretary of Defense (Comptroller) oversee the Defense Joint Accounting System and ensure compliance with**

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**DoD acquisition standards and Clinger-Cohen Act requirements, to include developing and implementing strategic plans and system architectures, reengineering business practices, and preparing and validating an economic analysis.**

**3. We recommend that the Director, Defense Finance and Accounting Service, require the Defense Joint Accounting System Program Management Office to provide complete and supportable updated documentation, as required by DoD Regulation 5000.2-R, which reflects the current acquisition strategy. Documentation should include:**

**a. Updating the analysis of alternatives to provide a complete and supportable presentation that identifies the advantages and disadvantages of alternative systems; analyzes the sensitivity of alternatives to changes; describes the commonality and interoperability of alternative systems; defines the benefits of the systems; and addresses system requirements.**

**b. Modifying the economic analysis to include the total costs and benefits of alternatives.**

**c. Supporting the costs in the acquisition program baseline.**

**d. Conducting reengineering on processes related to the Defense Joint Accounting System.**

**e. Developing performance measures for system efficiencies.**

**Office of the Under Secretary of Defense (Comptroller) Comments.** The Deputy Chief Financial Officer responded for both the Under Secretary of Defense (Comptroller) and the Defense Finance and Accounting Service. However, the Deputy Chief Financial Officer, did not concur or nonconcur with the recommendations. The Deputy Chief Financial Officer stated that additional time was needed to present the most cost-effective approach and the most appropriate oversight for the Department's accounting system requirements.

**Audit Response.** We appreciate the concern expressed by the Deputy Chief Financial Officer for developing the most cost-effective approach and providing oversight for the Department's general fund accounting requirements. The Under Secretary of Defense (Comptroller)'s commitment and oversight are essential to ensuring adherence to DoD and Clinger-Cohen Act requirements. However, the comments to the draft report were not responsive, in that, they did not provide management's positions on the recommendations. We request that the Under Secretary provide comments to this report that detail specific actions that will be taken to ensure the Defense Joint Accounting System program complies with DoD and Clinger-Cohen Act requirements. Therefore, we are requesting a response to this final report by August 16, 2000.

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# Appendix A. Audit Process

## Scope and Methodology

**Work Performed.** We performed audit work on DJAS to determine whether the acquisition management process for DJAS met the DoD standards for acquisition of information technology and the requirements of the Clinger-Cohen Act.

The DFAS mission is to provide responsive, professional finance and accounting services to DoD. To accomplish this mission, DFAS developed a strategic plan for managing its financial systems. The strategic plan showed that four DFAS systems would provide general fund accounting for DoD by FY 2004. One of the four systems was DJAS.

This report is the third in a series on the DoD strategy for developing DJAS, a standardized accounting system. This report discusses the management actions completed for DJAS at two key decision points in the DoD program management process, Milestones I and II, and the actions taken to meet the requirements of the Clinger-Cohen Act. Previous reports addressed the need for a DoD accounting system; analysis of alternative systems; standardization of work processes and data; and the completeness of documents required before two of the four key decision points, Milestone 0 and Milestone I.

DJAS was to provide general fund accounting services to customers of the DFAS Indianapolis Center, including the Defense agencies, the U.S. Army, the Army National Guard, the Military Traffic Management Command, and the Defense Security Cooperation Agency.

DFAS estimated that \$140.2 million would be spent on DJAS by the end of FY 2000. In addition, DFAS estimated that the total cost of DJAS would be \$700.7 million before the system's planned retirement in FY 2015.

The scope and methodology of this audit included analyses and interviews on the implementation of the acquisition management process for DJAS. Specifically, we:

- reviewed the four acquisition decision memorandums issued by the ASD(C<sup>3</sup>I) from December 1997 through April 1999;
- reviewed the analysis of alternatives, the economic analysis, the acquisition program baseline, and the operational requirements document prepared by the DJAS program office for the Milestone 0 decision point and the combined Milestone I and II decision points; and
- interviewed personnel from the Office of the ASD(C<sup>3</sup>I), DFAS, and the DJAS program office.

**Limitation to Scope.** This audit was directed by the House of Representatives Committee on Appropriations. Specifically, Congress directed audit work to

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determine whether DJAS met the DoD information technology standards and the requirements of the Clinger-Cohen Act. We limited our scope to this request and did not perform a review of management controls.

**DoD-Wide Corporate-Level Government Performance and Results Act Coverage.** In response to the Government Performance Results Act, the Secretary of Defense annually establishes DoD-wide corporate-level goals, subordinate performance goals, and performance measures. This report pertains to achievement of the following goal, subordinate performance goal, and performance measures.

- **FY 2001 DoD Corporate Level Goal 2:** Prepare now for an uncertain future by pursuing a focused modernization effort that maintains U.S. qualitative superiority in key warfighting capabilities. Transform the force by exploiting the Revolution in Military Affairs, and reengineer the Department to achieve a 21st century infrastructure. **(01-DoD-2)**
- **FY 2001 Subordinate Performance Goal 2.5:** Improve DoD financial and information management. **(01-DoD-2.5)**
- **FY 2001 Performance Measure 2.5.1:** Reduce the number of noncompliant accounting and financial systems. **(01-DoD-2.5.1)**
- **FY 2001 Performance Measure 2.5.2:** Achieve unqualified opinions on financial statements. **(01-DoD-2.5.2)**

**DoD Functional Area Reform Goals.** Most major DoD functional areas have also established performance improvement reform objectives and goals. This report pertains to achievement of the following functional area objectives and goals.

- **Financial Management Area. Objective:** Consolidate finance and accounting operations. **Goal:** Consolidate and standardize financial systems. **(FM-2.1)**
- **Financial Management Area. Objective:** Consolidate finance and accounting operations. **Goal:** Reduce and improve accounting systems. **(FM-2.2)**
- **Financial Management. Objective:** Reengineer DoD business practices. **Goal:** Standardize, reduce, clarify, and reissue financial management policies. **(FM-4.1)**
- **Financial Management. Objective:** Reengineer DoD business practices. **Goal:** Improve data standardization of finance and accounting data items. **(FM-4.4)**
- **Financial Management. Objective:** Improve management incentives. **Goal:** Use the project management office for accounting systems to provide centralized management control and oversight for all migratory and interim migratory accounting systems. **(FM-7.5)**

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- **Information Technology Management Functional Area. Objective:** Become a mission partner. **Goal:** Serve mission information users as customers. **(ITM-1.2)**
  - **Information Technology Management Functional Area. Objective:** Provide services that satisfy customer information needs. **Goal:** Modernize and integrate Defense information infrastructure. **(ITM-2.2)**
  - **Information Technology Management Functional Area. Objective:** Provide services that satisfy customer information needs. **Goal:** Upgrade technology base. **(ITM-2.3)**
  - **Information Technology Management Functional Area. Objective:** Reengineer DoD business practices. **Goal:** Modify existing systems and monitor new systems to be Y2K compliant. Improve acquisition processes and regulations. **(ITM-4.3)**

**General Accounting Office High-Risk Area.** The General Accounting Office has identified several high-risk areas in the DoD. This report provides coverage of the information management and technology and the Defense financial management high-risk areas.

**Audit Type, Dates, and Standards.** We performed this program audit from October 1999 through April 2000 in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD. We did not use statistical sampling methods for this audit.

**Contacts During the Audit.** We visited or contacted individuals and organizations within DoD. Further details are available on request.

**Use of Computer-Processed Data.** We did not rely on computer-processed data to perform this audit.

## Summary of Prior Coverage

The Inspector General, DoD, has issued two reports related to the acquisition of DJAS:

- Report No. 97-051, "Review of the Corps of Engineers Financial Management System," December 18, 1996.
- Report No. 97-206, "Review of the Defense Finance and Accounting Service Acquisition Strategy for a Joint Accounting System Initiative," August 22, 1997.

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## **Appendix B. Report Distribution**

### **Office of the Secretary of Defense**

Under Secretary of Defense (Comptroller)  
Deputy Chief Financial Officer  
Deputy Comptroller (Program/Budget)  
Director, Program Analysis and Evaluation  
Assistant Secretary of Defense (Command, Control, Communications, and Intelligence)  
Director, Investments and Acquisition  
Director, Defense Logistics Studies Information Exchange

### **Joint Staff**

Director, Joint Staff

### **Department of the Army**

Assistant Secretary of the Army (Financial Management and Comptroller)  
Inspector General, Department of the Army  
Chief Information Officer, Department of the Army  
Auditor General, Department of the Army  
Commander, Military Traffic Management Command  
Director, Army National Guard Bureau

### **Department of the Navy**

Assistant Secretary of the Navy (Manpower and Reserve Affairs)  
Auditor General, Department of the Navy  
Navy Chief Information Officer, Department of the Navy  
Naval Inspector General

### **Department of the Air Force**

Assistant Secretary of the Air Force (Financial Management and Comptroller)  
Auditor General, Department of the Air Force  
Chief Information Officer, Department of the Air Force

### **Other Defense Organizations**

Ballistic Missile Defense Organization  
Defense Advanced Research Projects Agency  
Defense Finance and Accounting Service  
Defense Legal Service Agency  
Defense Security Cooperation Agency

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Defense Prisoner of War/Missing Personnel Office  
Office of Economic Adjustment  
Director, Operational Test and Evaluation  
    Central Testing Evaluation Investment Program (Precision Guided Weapons Test  
        and Evaluation)  
    Foreign Comparative Testing  
    Test and Evaluation  
American Forces Information Service  
    Headquarters, American Forces Information Service  
    Armed Forces Radio and Television  
    Defense Information School  
    Defense Visual Information Center  
    DoD Joint Visual Information Distribution Activity  
    Television-Audio Support Activity  
Director, Tri-Care Management Activities

## **Non-Defense Federal Organizations and Individuals**

Office of Management and Budget  
    National Security Division  
General Accounting Office  
    National Security and International Affairs Division  
    Technical Information Center

## **Congressional Committees and Subcommittees, Chairman and Ranking Minority Member**

Senate Committee on Appropriations  
Senate Subcommittee on Defense, Committee on Appropriations  
Senate Committee on Armed Services  
Senate Committee on Governmental Affairs  
House Committee on Appropriations  
House Subcommittee on Defense, Committee on Appropriations  
House Committee on Armed Services  
House Committee on Government Reform  
House Subcommittee on Government Management, Information, and Technology,  
    Committee on Government Reform  
House Subcommittee on National Security, Veterans Affairs, and International  
    Relations, Committee on Government Reform



# Under Secretary of Defense (Comptroller) Comments



OFFICE OF THE UNDER SECRETARY OF DEFENSE  
1100 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1100

JUN 8 2007

MEMORANDUM FOR DIRECTOR, FINANCE AND ACCOUNTING DIRECTORATE,  
OFFICE OF THE INSPECTOR GENERAL, DEPARTMENT OF  
DEFENSE

SUBJECT: Draft Audit Report on the Acquisition and Management of the Defense Joint  
Accounting System (Project No. D2000FG-0056)

This is a joint Office of the Under Secretary of Defense (Comptroller) (USD(C)) and Defense Finance and Accounting Service (DFAS) response to the subject draft report. The draft report recommends that the USD(C) oversee the Defense Joint Accounting System (DJAS) and ensure compliance with Department of Defense (DoD) acquisition and "Clinger-Cohen Act" requirements. Those requirements include developing and implementing strategic plans and system architectures, reengineering business practices, and the preparing and validating of an economic analysis. The draft report also recommends that the Director, DFAS update DJAS documentation to reflect the current acquisition strategy and comply with the "Clinger-Cohen Act."

The Office of the USD(C) and the DFAS have reviewed the draft report, which identifies a number of important issues that require deliberative consideration. Issues such as studying the feasibility of potential alternative solutions and the oversight strategy for the acquisition process require additional time to frame a response that articulates the Department's accounting system requirements in a context that assures the most cost effective approach and appropriate oversight.

We appreciate the opportunity to comment on the draft report. My point of contact on this matter is Mr. James L. Ariail, Jr. He may be reached by e-mail: [ariailj@osd.pentagon.mil](mailto:ariailj@osd.pentagon.mil) or by telephone at (703) 604-6376.

  
Nelson Toyne  
Deputy Chief Financial Officer

# Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) Comments



OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE  
6000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-6000

June 7, 2000

MEMORANDUM FOR DIRECTOR, FINANCE AND ACCOUNTING DIRECTORATE  
DoDIG

SUBJECT: Draft Audit Report on the Acquisition and Management of the Defense Joint  
Accounting System (DJAS) (Project No. 0FG-5103)

Thank you for the opportunity to comment on the subject report. While we believe a number of the report's findings are inaccurate or misleading, we concur in the two recommendations directed to the ASD(C3I). As recommended, the ASD(C3I):

- (a) will not grant Milestone III approval to field DJAS until DFAS demonstrates that it is following a strategy that will decrease risks, ensures users are receiving required functionality, and meets DoD acquisition and Clinger-Cohen Act requirements; and
- (b) will hold an IT OIPT meeting to discuss recommendations on whether DFAS should receive Milestone III approval to field DJAS to its first customer base.

We have also discussed the report's findings and recommendations with your staff and with officials from DFAS, USD(Comptroller), ODP&E and the DJAS user community. Based on those discussions and in light of related congressional concerns, the stakeholders have agreed that an update to the analysis of alternatives (AoA) is needed. Therefore, the ASD(C3I), as the Milestone Decision Authority, will direct that an updated AoA be prepared.

We will invite the DoDIG to participate in any IT OIPT meetings regarding DJAS, as previously requested by your office. However, participation in OIPT meetings is of limited value without representation on the working-level IPTs (WIPTs) that address the issues and recommendations that the OIPT will discuss. Therefore, we recommend that your office also provide representatives to the WIPT meetings that will lead to, and result from, the updated DJAS AoA. This will enable the Department to benefit from the significant effort your office has devoted to the program and will add credibility to the decision making process.

Our comments on the report's findings are contained in the attachment to this memo.

  
Paul R. Brubaker

Acting Deputy Chief Information Officer

Attachment



**ATTACHMENT  
OASD(C3I) COMMENTS ON FINDINGS**

We have reviewed DFAS's reply to the report and concur in DFAS's general and specific comments. Rather than repeat the many comments made by DFAS, we are limiting our comments to findings that relate to acquisition oversight and Clinger-Cohen Act (CCA) oversight.

In general, we believe the report gives the mistaken impression that the Department did not oversee the DJAS Program and did not require it to follow the requirements of the DoD 5000 series or the CCA. In fact, the DoD CIO, USD(AT&L), DOT&E, ODPA&E, the Joint Staff and others conducted vigorous oversight of DJAS under the auspices of the IT OIPT and the Joint Requirements Oversight Council (JROC).

The report criticizes the ASD(C3I) and the IT OIPT for tailoring the acquisition process for DJAS. However, on page 7 the report correctly acknowledges that the acquisition management process should be tailored for each individual acquisition.

On page 8, the report states that the Acting MAISRC Chairman said that the Milestone Decision Authority (MDA) decided to allow DJAS to progress through Milestone 0 rather than require the staffs working on the program to be without work. As discussed below, this was not a major factor in the approval of Milestone 0.

The report correctly finds that the DJAS analysis of alternatives (AoA) did not provide quantifiable evidence that a multiple system approach was the best alternative to solving the Department's general fund accounting problems. However, based primarily on this finding, the report reaches the incorrect conclusion (on page 8) that the acquisition management process was not followed. In reaching this conclusion, the report fails to acknowledge such facts as the following:

- The ASD(C3I) withheld Milestone 0 approval for DJAS from June 1997 to December 1997 until the JROC approved the Mission Need Statement, and until DFAS addressed the outsourcing, core mission and reengineering questions mandated by the CCA.
- A great number of WIPT meetings were held regarding cost, testing, performance measurement, security and requirements issues, and the documentation required by DoD 5000 to address these issues was developed by the DJAS program office through the IPT process.
- While the IT OIPT members did not meet, they concurred in all of the major decisions regarding DJAS, and where appropriate, approved the DJAS documentation.

In light of the above, recommend that the report delete the references to the MDA not requiring DFAS to follow the established DoD management process. The report should instead focus on its primary recommendation—that an updated AoA be conducted to determine whether the multiple system approach is still the best alternative to solving the Department's general fund accounting problems.

## **Audit Team Members**

The Finance and Accounting Directorate, Office of the Assistant Inspector General for Auditing, DoD, prepared this report.

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